Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

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PAGE 01 BONN 13591 201147Z

41
ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08

CEA-02 L-03 DRC-01 PRS-01 PA-03 USIA-15 DODE-00 SEC-03

/163 W
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R 201139Z SEP 73
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7525

UNCLAS BONN 13591

DEPARTMENT PASS TREASURY, CEA AND FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: CABINET AGREES ON NEW GUIDELINES FOR CORPORATE INCOME TAX REFORM

1. ON SEPTEMBER 19, THE CABINET DECIDED TO SUBMIT TO THE LEGISLATURE SOME TIME IN OCTOBER A BILL TO REVISE THE PRESENT CORPORATE TAX LAW. THE PROPOSED SCHEME WILL PROVIDE FOR A SPLIT TAX RATE OF 56 PERCENT ON RETAINED EARNINGS AND OF 36 PERCENT ON DISTRIBUTED PROFITS. A TAX CREDIT WILL BE PROVIDED FOR SHAREHOLDERS (INDIVIDUAL AND CORPORATE) IN THE AMOUNT OF TAXES ALREADY PAID BY THE CORPORATION. PREFERENTIAL TAXATION OF SAVINGS BANKS AND CREDIT COOPERATIVES IS TO BE CURTAILED (THE PROPOSED NEW RATE: 46 PERCENT).

2. THE CABINET ONCE AGAIN REAFFIRMED THAT CORPORATE TAX REFORM WILL BE LINKED TO A CAPITAL FORMATION SCHEME FOR WORKERS. HOWEVER, DETAILS OF THIS SCHEME HAVE NOT BEEN WORKED OUT AS YET, AND THE DATE OF SUBMISSION OF A BILL
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PAGE 02 BONN 13591 201147Z

IS STILL UNCERTAIN.

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

3. IN A SUBSEQUENT PRESS CONFERENCE, GOVERNMENT SPOKESMAN GRUENEWALD SUGGESTED THAT THE NEW CORPORATE TAX CONCEPT WOULD ENTAIL REVENUE LOSSES VERY ROUGHLY ESTIMATED AT DM 0.5 BILLION (COMBINED EFFECT OF NEW TAX CREDIT AND HIGHER RATES WOULD REDUCE YIELD BY DM 1 BILLION; CURTAILMENT OF PREFERENCES WOULD INCREASE YIELD BY DM 0.5 BILLION).

4. GRUENEWALD ALSO IMPLIED THAT THE TARGET DATE FOR ENACTMENT OF THE CORPORATE TAX REFORM/CAPITAL FORMATION PACKAGE IS JANUARY 1, 1976.
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Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TAX REFORMS, REAL PROPERTY TAXES
Control Number: n/a
Copy: SINGLE
Draft Date: 20 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BONN13591
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730922/aaaaaqdz.tel
Line Count: 74
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags:
Review Date: 24 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24-Aug-2001 by cunninfx>; APPROVED <28-Aug-2001 by kellerpr>
Review Markings:

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US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CABINET AGREES ON NEW GUIDELINES FOR CORPORATE INCOME TAX REFORM
TAGS: EFIN, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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